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PREL, PGOV, PHUM, UNSC, TT
SUBJECT: U/S BURNS' CONVERSATION WITH TIMOR-LESTE
PRESIDENT JOSE RAMOS-HORTA

Classified By: Under Secretary William J. Burns for
Reasons 1.4(b) and (d)

11. (U) September 26, 2008; 5:30 p.m.; New York.

12. (U) Participants:

U.S.
Under Secretary William Burns
Daniel Delk, EAP/MTS (Notetaker)

Timor-Leste
Jose Ramos-Horta, President
Zacarias da Costa, Minister of Foreign Affairs
Nelson Santos, Permanent Representative, UN Mission
Jorge Camoes, Charge d'Affaires, Embassy Washington

13. (C) SUMMARY. Under Secretary Burns praised Timor's post-February 11 stability and its significant progress on preparing a Millennium Challenge Corporation (MCC) proposal in a cordial, 30 minute meeting with Timor-Leste President Jose Ramos-Horta. Ramos-Horta offered his ambitious vision for completing the IDP resettlement process, achieving food security, and resolving long-standing budget execution problems - all by the end of 2009. Ramos-Horta also expressed appreciation for security sector assistance and called for continued USG support. As expected, he also criticized U.S.-Cuba policy. END SUMMARY.

PROGRESS

14. (C) U/S Burns congratulated President Ramos-Horta on his improved health and attributed Timor-Leste's post-February 11 stability as a testament to his leadership. Ramos-Horta observed that the institutions of government remained in place and operated according to the constitution. The military and police worked together well. Prime Minister Xanana Gusmao has governed with a steady hand.

IDP PROBLEMS PERSIST

15. (C) Ramos-Horta described the Internally Displaced Persons (IDP) issue as "mostly resolved," but admitted it would take time to complete the process and that challenges remain. The government only has the capacity to close one to three camps at a time. Alluding to Timor's lack of codified property rights, Ramos-Horta lamented that not all communities have peacefully received returning IDPs. U/S Burns acknowledged the difficulty of resettling such a large number of IDPs in any country, but underscored the need to continue the process of closing the camps.

SECURITY ASSISTANCE

¶6. (C) President Ramos-Horta praised Ambassador Klemm for his leadership and expressed great appreciation for U.S. government assistance in maritime security. He called the USNS Mercy visit "a boon," declared the Joint Marine Exercise a complete success, and added that future groups of Marines are welcome "as often as you can afford." Ramos-Horta half-joked that the technical assistance provided during ports of call was just as helpful to Timor-Leste as the money the soldiers contributed to the local economy.

¶7. (C) Citing illegal fishing on the southern coast, President Ramos-Horta described the recent purchase of two Chinese boats critical to Timor's maritime capacity, but not sufficient. He called for more trilateral or multilateral cooperation with Portugal, Australia and the United States to build maritime capacity. He also said that he hoped to name an ambassador to Washington soon. However, a final decision had been delayed to provide more time to find a suitably senior and experienced candidate.

STAVING OFF A FOOD CRISIS

¶8. (C) President Ramos-Horta defended the GOTL's much-criticized decision to distribute bags of rice to select families - mostly related to government bureaucrats - to prevent a repeat of the rice riots of 2007. Although it was not the best policy, he admitted, it was better than the alternative of doing nothing. The government decided to give discounted rice to traders to circulate through the economy. Ramos-Horta regretted that many of the traders, in turn, sold the rice at inflated prices. He said he favors cash hand-outs to the poor both as a matter of economic good sense, and of justice. Starting next year, the poor will receive \$20 per month in cash subsidies. Veterans have already received a significant cash payment, but they will also receive \$100 per month.

FISCAL POLICY

¶9. (C) President Ramos-Horta boasted that he expected Timor to report 8% growth in non-oil GDP for the year. He also reported progress on improving budget execution, pledging that beginning in 2009 all budgeted funds will be expended within the calendar year allocated. Ramos-Horta complained about spending an inordinate amount of time cleaning up the mess left behind by the FRETILIN government, including \$100 million in unused funds allocated as far back as 2004. The GOTL also plans to continue innovations in agriculture and high-yield seed production, which he estimates could lead to food self-sufficiency in one year's time.

WHETHER MCC?

¶10. (C) Ramos-Horta complained that MCC should "move faster" toward developing a compact with Timor-Leste. U/S Burns commented that for a country first considered MCC eligible in 2005, Timor's candidacy was moving at a "good rhythm" and that he hoped for more progress next year. While praising the Bush Administration for dramatically increasing foreign aid, Ramos-Horta worried that with the current U.S. economic crisis, the next administration might cut assistance, particularly new programs like MCC and PEPFAR. U/S Burns replied that the U.S. economy has historically shown remarkable resiliency, and he expects the next administration to continue in the tradition of

U.S. foreign assistance.

Ramos-Horta the Statesman

¶11. (C) Known to hold himself and his international credentials, including a Nobel Peace Prize, in high regard, President Ramos-Horta provided his thoughts and prescriptions for many international problems and insights on the U.S. elections.

¶12. (C) Cuba: Highlighting Timor-Leste's positive UN voting record on human rights, Ramos-Horta described U.S.-Timor-Leste bilateral relations as "close as husband and wife... but with occasional problems." He then echoed previous statements from his General Assembly address and recent press interviews, where he expressed his fundamental opposition to sanctions against poor countries to bring about political change as "immoral." He is against the Cuba embargo "as a human being" and expressed his belief that only greater exchange will bring about change.

¶13. (C) Burma: Ramos-Horta was more nuanced on Burma, saying that he disagreed with sanctions, but understood that Western countries would also be criticized if they were seen as doing nothing. He also claimed that he argued with the Spanish to reverse Burma sanctions.

¶14. (C) The Philippines: More was expected from a democratic regime. The escalating violence in Mindanao was the result of a lack of credible negotiators and peace could be achieved more quickly with greater political leadership. He expected to return to the Philippines to speak for the Vienna Peace Convention Lecture series and raise U.S.-Philippines-Timor education collaboration.

RICE